

AR25



GENERAL DYNAMICS ANNUAL REPORT 1965

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General Dynamics Report for the Year Ended December 31, 1965

Results in Brief

	1965	1964
Net Sales	\$1,472,785,201	\$1,579,862,316
Profit Before Income Taxes	85,738,929	77,508,105
Income Taxes	36,470,000	34,897,000
Net Income	49,268,929	42,611,105
Per Common Share	4.48	3.77
Working Capital	183,612,660	205,671,845
Property, Plant and Equipment – Net	210,160,031	192,886,119
Long-Term Debt	110,033,638	92,835,298
Share Owners' Equity	282,827,383	299,629,825
Per Common Share	23.35	19.78
Backlog of Orders	1,295,000,000	1,129,000,000
Common Shares Outstanding	10,152,968	10,015,259



Roger Lewis, President

To the share owners:

Net earnings of General Dynamics Corporation in 1965 increased for the fourth consecutive year. Regular dividends on the common stock were resumed for the first time since 1961. The development on the variable-sweep wing F-111 has been proceeding well. Marine systems and tactical weaponry and support equipment have shown continued growth. Electronic and communication product operations have responded well to the changes in organization and market strategies that were mapped in the previous year. Our substantial commercial operations have continued to make satisfactory progress. In spite of a slight decline in total sales, operating margins again showed improvement.

Sales and Earnings. Consolidated net sales of General Dynamics Corporation and subsidiaries for the year ended December 31, 1965, were \$1,472,785,201, compared with \$1,579,862,316 in 1964.

Deliveries to various services and agencies of the United States and Canadian Governments in 1965 accounted for approximately 78% of total sales. This Government segment includes aircraft, space systems, tactical weaponry and support equipment, and shipbuilding.

Sales to industrial and commercial customers — for electronic and communication equipment, coal and lime,

nuclear reactors, building materials, machinery and compressed gases — accounted for 22% of sales.

Consolidated net income for the year ended December 31, 1965, was \$49,268,929, equivalent to \$4.48 per common share after provision for dividends on preference stock. This compares with consolidated net income in 1964 of \$42,611,105, equivalent to \$3.77 per common share after provision for dividends on preference stock.

Previous to the 1965 year, we did not record profit on the F-111 tactical fighter program because of the uncertainties inherent in a fixed-price incentive contract which involves such a considerable advance in technology. The excellent progression of the test phase has made it reasonably certain that the research, development, test and evaluation contract for 23 aircraft will be profitable. Therefore, we have been recording modest earnings on the program during the second half of 1965.

Backlog. Backlog of funded orders at December 31, 1965, was \$1,295,000,000, compared with \$1,129,000,000 a year earlier.

Although we have received a letter of intent for initial procurement of 431 production F-111 aircraft, with a potential value in excess of \$1,500,000,000, a definitive contract is still under negotiation. Potential sales for this, or

\$ Millions
2100
1400
700
0

Sales by product line

Industrial Marine Tactical Weapons & Support Space Aircraft

1961 1962 1963 1964 1965

\$ Millions
90
60
30
0

Cash Flow

Net Income Depreciation

1961 1962 1963 1964 1965

\$ Millions
45
30
15
0

Capital Expenditures and Depreciation

Depreciation Capital Expenditures

1961 1962 1963 1964 1965

\$ Millions
300
200
100
0

Share Owners Equity and Debt

Common Stock Preferred Stock Long Term Debt Bank Loans

1961 1962 1963 1964 1965

for other programs which are still being negotiated, will not be included in backlog figures until definitive contracts have been signed.

Capital Expenditures. During 1965 capital expenditures amounted to \$48,579,408. A large part of this investment will provide for a substantial expansion of our commercial operations, particularly in compressed gases and lime products, and for automation and modernization of production facilities for mining and electronic products. The balance was used primarily for improvement of facilities at our shipbuilding and tactical missile operations.

Preference Stock Redemption. At mid-year the Corporation called for redemption approximately 52.7% of the outstanding preference stock at a total price of \$54,682,639. This was paid partly out of company funds and partly with a \$25,000,000 increase in long-term borrowing from the Prudential Insurance Company. Since the interest rate on debt, in effect, amounts after taxes to only half the cost of dividends on the preference stock, the result of the redemption is to reduce the annual cost of capital funds to the company.

Major Programs. Sales and new orders for our shipbuilding operations reached a peak in 1965. The shipyard at Quincy, Massachusetts, acquired in 1964, is one of the best equipped in the United States and has facilities to build ships of a size well beyond the capacity that exists or could economically be created at the Groton, Connecticut, yard. As a result, in addition to our traditional role as a leading submarine builder, we also have the physical, technological and managerial capacities to undertake surface ship projects of any size or scope.

The Electric Boat division, utilizing both its Groton and Quincy yards, is building or has under contract 14 nuclear submarines and is overhauling and retrofitting four of the earlier series of Polaris submarines. In addition, as of January 1, 1966, we had contracts for surface ship work, to be built at the Quincy yard, amounting to \$134,624,000, for five large vessels of various types ranging from 18,000 tons to 37,000 tons displacement. We are also in the com-

pletion stages of a large contract for three Apollo Instrumentation Ships. This contract, which will exceed \$90,000,000, is roughly half shipbuilding and half electronics and represents a collaborative effort under the systems management of the Electronics division, with significant contributions by our Stromberg-Carlson subsidiary and the Convair division.

The results of the research and development phase of the F-111 program to date have been very good. The key element of this revolutionary aircraft—the variable-sweep wing—has worked perfectly from the beginning. The variable-sweep wing makes it possible for a single aircraft to cruise subsonically, to fly supersonically at either sea level or more than 12 miles high, to cross oceans without refueling, and to take off and land from short tactical airfields—a combination of qualities that once would have required several different aircraft.

The various avionics systems, which give the aircraft such military capabilities as finding the target and bombing accurately, are functioning exceptionally well.

The program is on schedule. Some problems are normally expected in the development of such an advanced aircraft, but those that have arisen are yielding to corrective action. Although the R&D program continues into 1968, production of operational-type aircraft begins in 1966 and deliveries will begin in 1967.

The Department of Defense has recently announced that it would ask Congress for authorization for the development, production and deployment of a bomber version of the aircraft, to be known as the FB-111. Should such authorization be granted, it would have an important long-range effect on the overall variable-wing aircraft program. However, initial procurement of such a modified aircraft would, in all probability, be considered a part of the four-year procurement contract for F-111s now under negotiation and may not result in an acceleration of the production schedule in the early years of the program.

Canadair Limited has received a letter of intent from the Canadian Government to produce as prime contractor approximately 125 CF-5 fighter aircraft (to be built under license from Northrop Corporation) for the Canadian

Forces Mobile Command and will additionally produce components under subcontract to Northrop for that company's F-5 production in the United States.

Volume of space work has declined since its peak in 1962, but we are continuing established programs, particularly production of Atlas SLV-3 (Standard Launch Vehicle) and of Centaur high-energy upper stages. These production programs, in addition to a wide range of research contracts for other phases of space work, provide the keystone for continued procurement and sales over the next several years.

In the tactical area, production started on the man-carried Redeye air-defense missile. The development program on a new Standard Missile for the Navy (for both air defense and surface-to-surface use) is progressing well. The Mauler battlefield air-defense system program was discontinued during 1965 when the Department of Defense determined that the original requirement for the complete system no longer existed, but elements of the system, successfully demonstrated during the development period, have other applications.

We have begun deliveries to the United States Army of an advanced mobile radio system for field use. The Canadair Dynatrac all-terrain vehicle has received United States Army funding to start advanced production engineering. A new reconnaissance drone, development of which is being jointly funded by Canada, Great Britain and Germany, is well advanced in flight test.

Among our commercial operations, sales of telephone equipment and of compressed gases and affiliated equipment reached new highs. Our commercial electronic lines, particularly of computer-data display equipment, and our several lines of metalworking equipment were expanded. Building material and coal sales were off slightly, but this was offset to a considerable degree by a substantial increase in the sales of lime products.

Organization. During the year two separate San Diego-based divisions were consolidated, with the new single division retaining the historic Convair name.

At the beginning of 1965, Stromberg-Carlson division was consolidated with United States Instrument Corporation under the name Stromberg-Carlson Corporation, with General Dynamics obtaining 88 1/2% ownership. In December of 1965 we exercised our option to purchase the minority interest.

Employees. At the end of 1965, General Dynamics had 84,600 employees, approximately 51,000 of whom are represented by 33 different national, international or independent unions.

During the year we concluded agreements, covering 44,000 of our represented employees, with 75 locals of these unions, with all but one minor contract within the economic guidelines set by the Government.

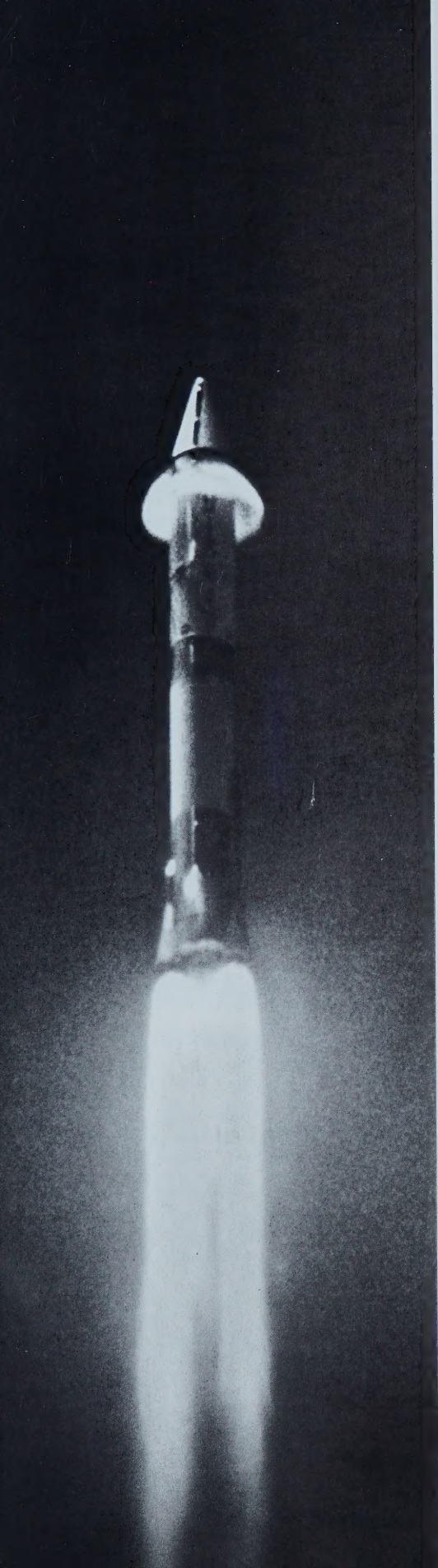
Among the more significant of these: a four-year agreement negotiated with the Industrial Union of Marine and Shipbuilding Workers of America at the Quincy shipyard; five-year agreements at our Pomona and Convair divisions with the International Association of Machinists; and a five-year agreement with the Rochester Independent Workers at our Electronics division. Early in 1966 we also negotiated a five-year agreement with the International Association of Machinists at our Fort Worth division.

Late in the year the Corporation initiated, subject to share owner approval, a new savings and investment plan for salaried employees. This plan is designed specifically to help attract, motivate and retain capable scientific, professional and managerial personnel. In addition, a similar plan has, in some cases, been negotiated for represented hourly employees and has contributed significantly to the satisfactory conclusion of recent major agreements with several unions.



Roger Lewis, President

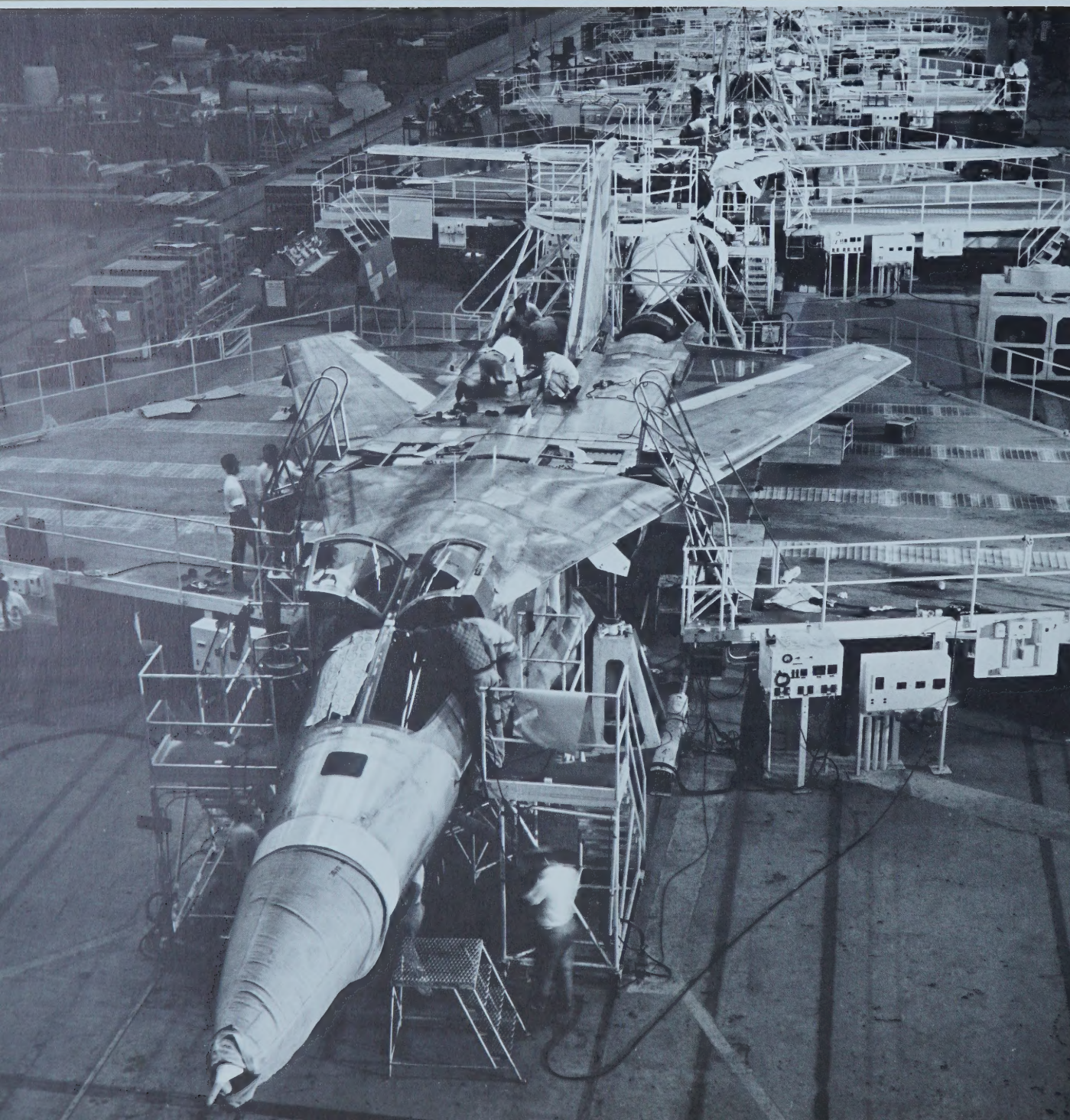
JANUARY 28, 1966



Review of Operations

*Atlas Centaur
launches
a Surveyor model on
a perfect course
to a "paper moon."
Atmospheric conditions
create a halo
around Centaur as it
lifts through the
stratosphere.*

F-111s take shape on a production line at Fort Worth (below). At first station, aircraft wings are swept back; at second station, wing is extended. On facing page, an F-111 takes off with wings extended for maximum lift, leaving the ground in a fraction of the distance required by other high performance military aircraft.



Aircraft:

At the end of 1965, eleven developmental F-111s were undergoing flight test. Eight Air Force versions and three Navy versions had made a total of 320 flights for a total of 459 hours with 98 of the flights at supersonic speed.

The variable-sweep wing concept, which represents a giant step in the history of aerodynamics, has proved its validity without question. The wing system itself has worked perfectly from the first test flights, and even in its current stage of development, the F-111 is one of the most versatile aircraft ever built.

In April the Department of Defense announced approval of a letter contract covering initial procurement of 431 F-111 aircraft. This includes 389 for the United States Air Force, 24 for the United States Navy and 18 for the Royal Australian Air Force. The Department of Defense announcement said that this fixed-price incentive-fee contract, covering multi-year procurement, is expected, when defined, to exceed \$1,500,000,000. Funds totaling \$99,000,000 were obligated during 1965 to initiate the procurement of the first 69 production aircraft and long lead time work on the remainder.

Twenty-two research and development aircraft will be flying by the end of 1966. Even though the research, development, test and evaluation program continues into 1968, tooling and other facilities for the production run are currently being aligned at our Fort Worth division. The first production aircraft is scheduled for delivery to the Air Force in early 1967.

In December the Air Force was directed to proceed with the development of a reconnaissance version, the RF-111A. This aircraft will require a minimum of configuration changes, but will be equipped with special systems for all-weather and night reconnaissance operations. Approximately \$12,000,000 was authorized for the initial development program, but no decision has been made as to when production would be initiated.



In the same month the Department of Defense announced that it would ask Congress for authorization for the development, production and deployment of a bomber version of the aircraft to be known as the FB-111.

The British Government also has an option to order F-111s.

We believe that the F-111 is the forerunner of a long family of aircraft of the future.

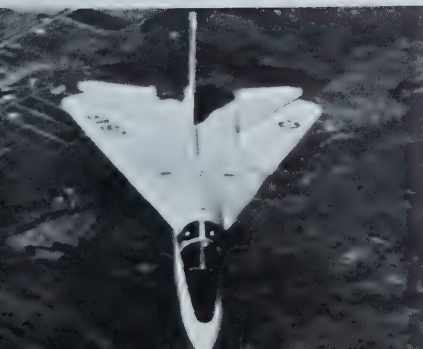
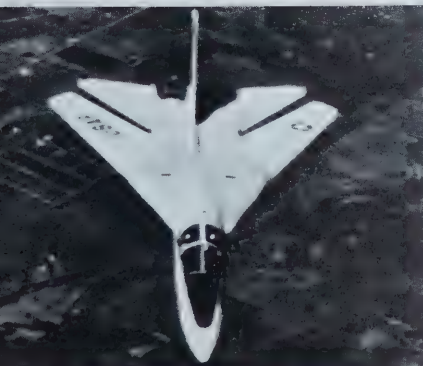
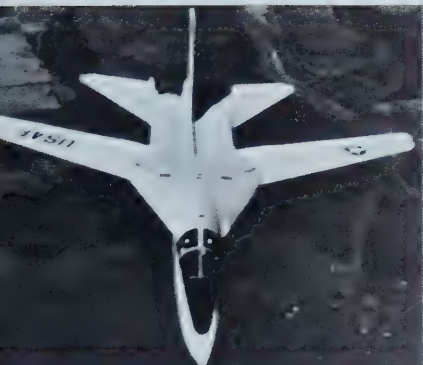
After two-years' development and testing of the Charger, a company-funded counter-insurgency type aircraft, the prototype plane crashed and was destroyed. However, the results demonstrated during the flight test period indicate continuing potential for such an aircraft with its short takeoff and landing capability, its varied payload capacity, its range and its ability to operate out of very difficult terrain. We intend to continue work in this field.

Convair 600 series aircraft—a new combination of Convair 240/340/440 passenger transports powered with Rolls-Royce Dart R. Da 10 turboprop engines—have gone into service with four American airlines: Central, Trans-Texas, Caribair and Hawaiian. A total of 53 modifications—which provide increased speed and comfort while reducing airline operating costs—had been ordered at the end of the year. Early results in commercial operation demonstrated high reliability from an airline standpoint and enthusiastic passenger acceptance. We expect this modification program to go on at a steady rate for some time.

The tilt-wing vertical/short takeoff and landing (V/STOL) prototype aircraft, the CL-84, announced in 1964, commenced hovering and slow speed test phases. In January, 1966, the aircraft successfully demonstrated, well ahead of schedule, its ability to make full transition from vertical takeoff to level high speed flight and back to vertical landing. Development of the CL-84 is jointly funded by the Canadian Government and Canadair Limited.

In addition, Canadair is working on a new amphibious utility aircraft. Originally designed as an air tanker to fight forest fires or to isolate dangerously dry areas, the CL-215 is adaptable for other commercial aviation roles, including agricultural spraying, air/sea rescue and amphibious cargo/passenger transport.

Wings of an F-111 are swept in flight from full extension for takeoff to a delta shape which enables the aircraft to fly at supersonic speeds. Full sweep takes less than 20 seconds (column left). At top right, the vertical/short takeoff and landing CL-84 tilts its wing in flight from full vertical for takeoff to full forward for high-speed level flight. Below right, the Convair 600, a new combination of the proven Convair Liner airframe and the Rolls-Royce Dart R. Da. 10A turboprop engine, has gone into service with several United States airlines.



The manned research submersible *Asherah* (below) examines the bottom of the Aegean Sea in an archaeological research project. (Picture courtesy National Geographic Magazine). At bottom, an *Apollo Instrumentation Ship* completes its fitting out at the Quincy shipyard. Outlined on its deck can be seen some of the giant antenna which will track the Apollo spaceship on its voyage to the moon.



Marine Systems:

General Dynamics is becoming an increasingly important supplier of marine vessels of all types, with major yards at Groton, Connecticut and at Quincy, Massachusetts, and extensive facilities for design, engineering and construction of all classes of marine vessels.

Surface ships under contract or construction include: two ammunition ships in the 18,000-ton displacement class; two fleet replenishment oilers in the 37,000-ton class; one submarine tender (designed to service nuclear submarines at sea) in the 22,000-ton class. In addition, Electric Boat division has been handling the ship conversion aspect of the four-division program for three Apollo Instrumentation Ships and has installed replacement mid-bodies in two T-2 tankers operated by a commercial ship company.

During the year we launched three Polaris submarines and delivered a fourth. Construction was begun on the last of the 41 programmed fleet ballistic missile submarines.

We have currently under contract or construction a total of 14 nuclear submarines: four of the Polaris type and ten of the attack type. We are also overhauling, refueling and retrofitting four of the earlier series of Polaris submarines.

The phase-out of the Polaris program, which has contributed importantly to our Electric Boat division workload over the past eight years, has already been and will continue to be offset by increases in surface ship construction and submarine overhauls.

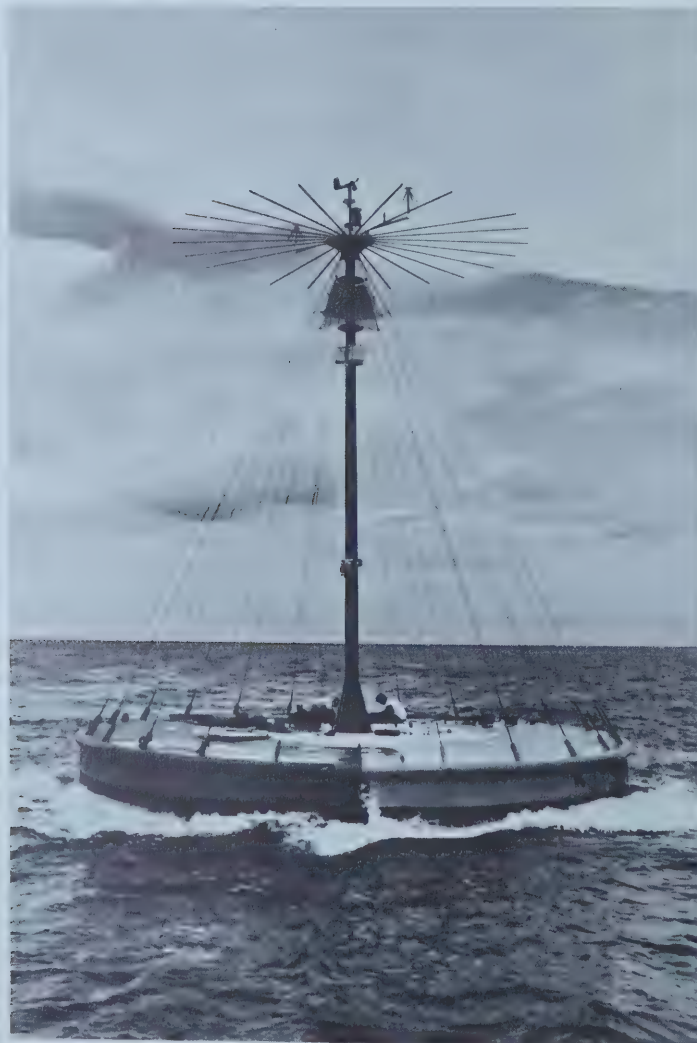
The growing interest in oceanology and undersea research vehicles represents another market potential. The successful initial operations of our first manned research submersibles, the Asherah and the larger Aluminaut (the latter built for Reynolds International,) have stimulated new attention. Two new research submersibles, Star II and Star III, will be ready for service by mid-1966. Both of these, as well as the Asherah, already have a reserved list of assignments which promise to keep them in constant demand.

During the year the Corporation established a new marine technology center in San Diego, partly because the weather in that area

is conducive to year-round oceanological research, but equally to draw also upon the resources of our west coast divisions, which are also engaged in a range of marine systems activities.

Typical is an ocean data station developed by our Convair division. This 100-ton, 40-foot diameter platform buoy, equipped with scores of sensing and data transmitting devices, repeatedly withstood 50-foot waves and 100-mile-an-hour winds in tests off the Florida coast and responded perfectly to shore-based interrogation even during a severe hurricane. A second buoy will be tested in the mid-Pacific during 1966.

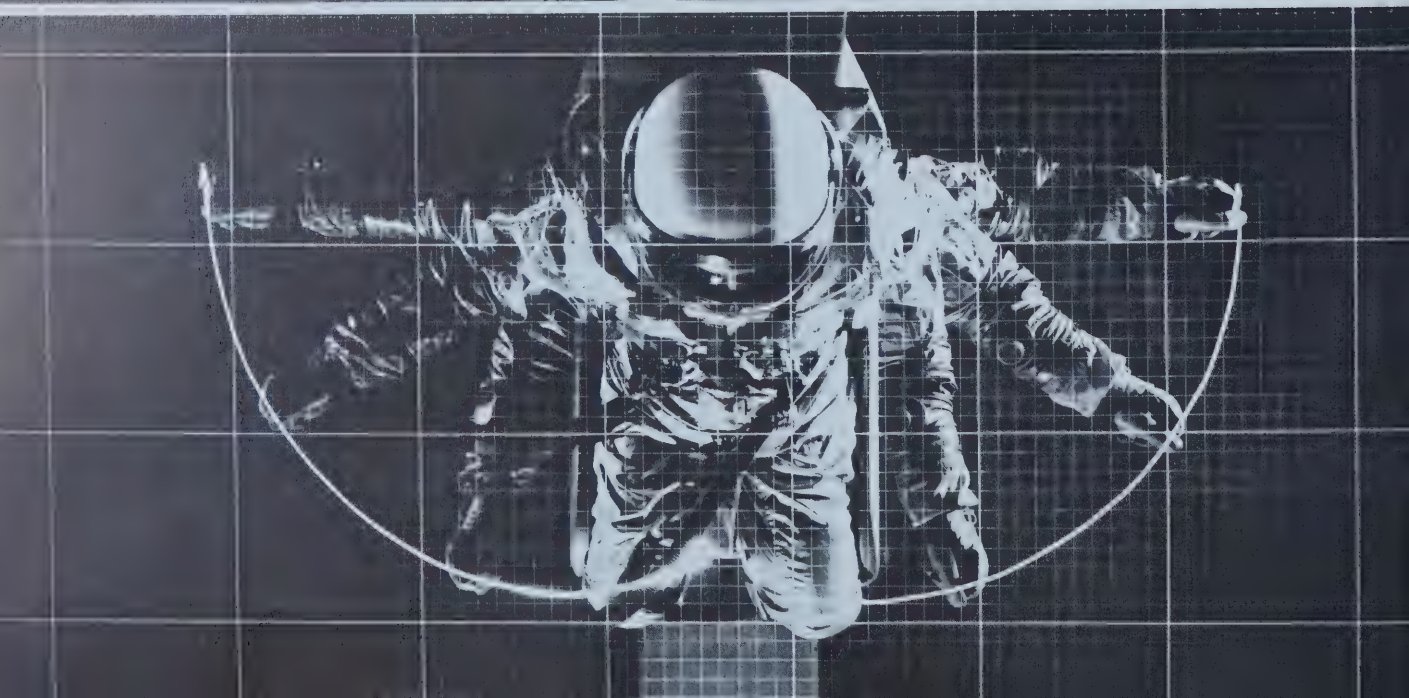
During the year, we successfully tested a new type of air-cushion vehicle. The 22-foot long Skip I is a small-scale prototype of larger air-cushion vehicles anticipated for both military and commercial markets. Skip I can travel equally well over level land or rough water, reach speeds as high as 50 knots and is more maneuverable than similar vessels.



On facing page, a giant oceanic buoy, 40 feet in diameter and 42 feet high, "reads" a score of wind and water conditions, transmits the weather information to shore-based stations. Below, the Henry L. Stimson, the 15th Polaris submarine and the 25th nuclear submarine launched by General Dynamics, hits the water for the first time.



An Atlas SLV-3 launches the Ranger vehicle to take photographs of the moon (top). Below, the effectiveness of movement in a new type of space suit is measured by photographic techniques. On facing page, a giant antenna is used to track and to receive telemetered information from a spaceship.



Space:

We are continuing established mainline space programs: Atlas SLV-3 (Standard Launch Vehicle) for the Air Force and National Aeronautics and Space Administration programs; Centaur high energy upper-stages for NASA; and OV-1 aerospace research satellites for the Air Force Office of Aerospace Research.

Atlas, in its several configurations, has earned an enviable record for reliability, with 43 successes out of its last 45 space launches. Although larger space launch vehicles are currently being used and developed for other space programs, there remains a sizeable market for Atlas SLV-3 for the many space research programs which do not require exceptionally large space launch vehicles. New versions of the SLV-3, which will make possible heavier payloads, are under development.

Following the perfect launch of Atlas-Centaur during 1965, which placed a dynamic model of the Surveyor lunar spacecraft on a perfect interception course to a "paper moon," the National Aeronautics and Space Administration declared Centaur operational. We have firm production orders into 1967, and additional quantities are under definition.

The OV-1 (Aerospace Research Satellite) is an outgrowth of the scientific pod program in which nearly 50 instrument payloads were lofted into space as "piggyback" riders on Atlas launch vehicles. During 1965 the first OV-1 was placed in orbit on the nose of an Atlas, which also carried a model of a second similar satellite, to prove the practicality of dual payload launching. A second dual mission with two live satellites is scheduled for launch early in 1966.

We are also engaged in a wide range of research contracts in such areas as lunar-spacecraft follow-on programs, future high-energy spacecraft development, spacecraft life-support systems, recoverable boosters and longer-range studies for inter-planetary probes and manned missions.



General Dynamics produces a wide range of weapons and equipment for tactical use. These include such air-defense missiles as Terrier and Tartar for the Navy, and Redeye for the Army; electronics systems for communication and testing; antisubmarine warfare equipment; airborne reconnaissance systems, and vehicles for ground mobility.

Terrier and Tartar missiles, which together now arm 60 ships of the United States Navy, continue in production. Last year Australia joined the list of nations whose vessels are armed by Tartar. Other countries using these proven air-defense weapons include France, Italy, Japan, the Netherlands and West Germany.

The man-carried Redeye air-defense missile went into production for the United States Army and United States Marine Corps during 1965. This new weapon gives infantrymen, for the first time, a retaliatory power against attacking aircraft.

The new Standard Missile for shipboard use had a number of successful test firings during 1965. Two versions of this weapon are being developed; one of medium range and one of extended range, differing principally in their propulsion systems. The common degree of usage of components established in the development and production of Terrier and Tartar missiles has been increased for the Standard Missile. Standard Missile will be compatible with existing Terrier and Tartar handling systems already aboard ships, but will pack greater power and have longer ranges. It is designed for surface-to-surface, as well as surface-to-air application.

A new laboratory has been established at our Pomona division, where these tactical missiles are produced, for evaluation and development of techniques to integrate all shipboard weapons into a single fighting center that will require fewer personnel and provide greater combat flexibility than existing weapon control systems.

Quantity deliveries were begun on a new jeep-mounted single-sideband transceiver system with many times the range and power of its predecessors. Unique all-electronic, digital-tuning techniques, developed by our Electronics division, have become the basis for a family of tactical radio systems ranging from new man-carried sets with as many as 74,000 different channels to "communications central" stations for multiple use and long distance transmission.

A \$45,000,000 contract was received for digital subscriber terminal equipment and ancillary items to be used as part of the Defense Department's AUTODIN (Automatic Digital Network) worldwide digital communication system. Prototype quantities of Aerospace Ground Equipment (AGE) were delivered to the Air Force. This

The Dynatrac vehicle (below left) is equally at home in the jungle or the Arctic, can carry eight combat-equipped soldiers or more than a ton of cargo over any kind of terrain. Below right, a new Standard Missile, which carries more punch and has longer range than the Tartar it superficially resembles, blasts off a launcher in a development test flight. At bottom, a Redeye man-carried missile, the first effective retaliatory weapon for ground troops against attacking aircraft, is fired by an infantryman.



Deliveries were started on a new vehicle-mounted single-sideband tactical radio system with many times the power, range and flexibility of predecessor sets (below). Bottom left, a jet propelled reconnaissance drone, which can photograph enemy installations and bring back pictures to its original launch area, waits aboard its mobile launcher. At bottom right, new push-button telephones, which make dialing faster and more convenient, are assembled on the production line.



system was initially designed in support of avionics for the F-111, but its new approach to electronic testing, using modular configurations with combinations of manual and automatic capability, is applicable to many other kinds of advanced avionic systems. We received additional contracts for digital display equipment for the Navy's A-NEW airborne antisubmarine warfare system.

After extensive testing of the CL-91 Dynatrac vehicle, Canadair and the Canadian Government are in the final stages of contract negotiations with the United States Army for an advanced production engineering program. Dynatrac is an amphibious, fully articulated, tracked vehicle which will carry eight fully equipped men or 2,000 pounds of cargo across any terrain.

Development of the AN/USD 501 reconnaissance drone system received a third sponsor when West Germany joined Canada and Britain in sharing development costs on this new tactical information gathering system. The CL-89 is boost-launched from a mobile vehicle, propelled by a jet engine, and flies at high subsonic speeds. It automatically photographs target areas, returns to the launch area and is parachuted to the ground for film retrieval and re-use.

Commercial Products:

Communications. Sales of telephone systems and equipment by Stromberg-Carlson increased during the year to record levels. A new line of telephone instruments was introduced. Production facilities were expanded and modernized at both the Rochester, New York, and Charlottesville, Virginia, plants.

First deliveries of the new SC-4400 computer document recorder were made during the year. This display system is capable of translating computer digital code into ordinary language which is printed on microfilm at the rate of 50,000 pages in an eight-hour period.

With the purchase of the business and assets of Information Products Corporation of South Hadley, Massachusetts, the latter's line of desk-top interrogators for inquiry and display of computer stored information was added to the growing line of electronic display equipment produced by Stromberg-Carlson.

During the year Stromberg-Carlson also entered the Community Antenna Television (CATV) equipment field. Community Antenna Television provides full television reception to areas where signals cannot be picked up adequately by individual sets. Since independent telephone companies already provide extensive communication service to the territories they cover, they are a natural outlet to deliver television signals as well as telephone service.

Gases. The market for compressed gases, particularly for cryogenic (extreme cold) applications, and related equipment is still expanding. During 1965, our sales again recorded increases in both dollars

and physical volume. We are investing heavily in the expansion of our Liquid Carbonic division's facilities. A large new air-separation plant to produce oxygen, hydrogen and argon in the Chicago area is scheduled for completion in Fall, 1966.

In Canada, compressed gases operations have followed the growth pattern in the United States, and we have a significant expansion program under way in Canada. A new air-separation plant will go on stream late in 1966, and a new steam reformer plant for the production of high purity hydrogen is scheduled for start-up in mid-1966—both in Toronto. During the year we purchased the electrode and welding rod production facilities and inventory of Steel Company of Canada, Ltd. These facilities will be combined with those of a new plant we are building, also in Toronto, to produce electrodes and welding rods.

We also began construction of a large plant in Madrid to produce carbon dioxide, and are preparing a fleet of special carrier trucks to supply all of Spain from a central point for both soft drink use and industrial applications in the expanding economy of that country.

Liquid Carbonic division's line has been broadened to include large industrial equipment using compressed gases. A unique automatic flame cutting machine has received excellent trade acceptance. We are market-testing a revolutionary new food freezing machine, Cryotransfer, using liquid nitrogen. The extremely low controlled temperature (320° below zero) makes it possible to freeze foods whose taste and texture could not effectively be preserved with conventional blast freezing techniques using temperatures of only 40° below zero.

Water Purification. A versatile new process, developed under programs supported in part by the United States Office of Saline Water, for purification of brackish and waste water, as well as sea water, showed impressive results in test demonstrations. The reverse osmosis technique, which pumps impure water under pressure through gossamer thin, semi-permeable membranes, shows promise for supplying pure water at many locations. Successful demonstrations of a 1,400 gallon a day unit were given on the Potomac River in Washington, the Hackensack River in New Jersey, and at Kittanning, Pennsylvania, where the test equipment was used to purify acid mine water.



On facing page, Monotrak multiple automatic cutting torches make precision cuts in sheets of heavy steel. Brick-faced prestressed concrete slabs, which combine attractiveness with construction economy, make up the exterior wall of a new industrial building (left). At right, graphite reflector sections are lowered into place in preparation for fuel loading at the Peach Bottom, Pennsylvania, prototype HTGR power reactor.



Nuclear Power. In 1965 our General Atomic division received a contract to design, engineer and construct a 330,000 kilowatt High Temperature Gas-cooled Reactor power plant for service on the system of the Public Service Company of Colorado. General Atomic will also supply the nuclear fuel and related services for this plant over an eight-year period.

This joint Government-industry project is being carried forward under the advanced-converter program of the Atomic Energy Commission. The reactor is similar to a design undertaken for a group of 11 utility companies organized as Advanced Reactor Development Associates (ARDA). The Colorado HTGR design has emerged both as a commercial size HTGR in its own right and as a natural prototype for a larger 1,000,000 kw plant.

Earlier plans to build a smaller HTGR power generating facility in Rochester, New York, were dropped during the year by mutual agreement between the parties concerned.

The prototype 40,000 kw HTGR power station at Peach Bottom, Pa., which had been delayed by a fire in the electrical system during construction, was essentially completed during the year. This plant, being built for the Philadelphia Electric Company and 52 other utilities, was being readied for nuclear fuel loading at year end.

A separate study, by General Atomic division jointly with 14 utilities comprising the East Central Nuclear Group, was started for a 1,000,000 kw gas-cooled fast-breeder power plant. Our joint research program in controlled fusion with the Texas Atomic Energy Research Foundation has been receiving wide attention. One recent development of major significance is a new technique in magnetic-well containment of deuterium plasma.

Minerals and Building Materials. Sales of our Material Service complex, which includes the Material Service division, Freeman Coal Mining Corporation and Marblehead Lime Company, were slightly below the previous year's record.

To meet increasing demand for specialized lime products, particularly from the steel industry, we have been adding substantially to our capacity. At the South Chicago plant of Marblehead Lime, a new kiln was put into operation, and new lime plants are nearing completion at River Rouge, Michigan, and Buffington, Indiana.

Shipments of ready-mixed concrete and light-weight aggregates declined as large-scale construction in the Chicago area, particularly for highways and other bulk uses of concrete, tapered off. Demand for other building materials continued at a high rate. Orders for specialty brick, produced under the Darlington label, exceeded capacity, and expanded facilities for that operation are planned. An additional facility for production of light-weight concrete block will be in operation for the 1966 construction season.

Production at Freeman Coal mines was lower due to a combination of factors including delays in bringing advanced new automated mining equipment up to peak capacity. New entry shafts, which make possible a reduction in portal-to-portal time, were installed at two mines. Demand continues high for the grades of coal we produce for both the utility and steel industries.



Financial Review

Financial History 1956-1965

	1965
Net Sales	\$1,472,785
Profit (Loss) Before Income Taxes	85,739
Income Taxes (Credit) ⁽¹⁾	36,470
Net Income (Loss) ⁽¹⁾	49,269
Per Common Share ⁽²⁾⁽⁴⁾	4.48
Dividends	18,680
Working Capital	\$ 183,613
Property, Plant and Equipment—Net	210,160
Long-Term Debt	110,034
Share Owners' Equity	282,827
Per Common Share ⁽³⁾⁽⁴⁾	23.35
Total Payrolls	\$ 697,037
Employees	84,600
Share Owners of Record	66,813
Preference Shares Outstanding	787,268
Common Shares Outstanding	10,152,968

The data herein include those of merged predecessor companies (Material Service Corporation in 1959 and Liquid Carbonic Corporation in 1957) for periods prior to their mergers into the Corporation.

NOTES: (1) Income taxes and net income are before tax reduction of \$16,917,000 in 1963 and \$23,850,000 in 1962 resulting from 1961 loss carry forward. These tax reductions have been added to the income tax credit and deducted from the net loss for 1961. In addition, the 1961 net loss has been further reduced by the \$33,000,000 special credit recorded in 1963. This special credit resulted from reduction in losses provided in 1961 on the commercial jet transport program by reason of cost reductions and performance achievements realized.

(2) Dividends on the convertible preference stock issued in 1959 are cumulative from and after January 1, 1964, at the annual rate of \$2.90625 per share. Net income per common share in 1964 and 1965 is after deducting dividends on preference stock.

(3) Share owners' equity per common share has been computed by deducting the liquidating value of convertible preference stock and accrued unpaid dividends.

(4) There is no basis for determining amounts per common share for years prior to 1959 without making arbitrary assumptions with respect to the convertible preference stock issued in connection with the merger with Material Service Corporation.

DOLLARS IN THOUSANDS

1964	1963	1962	1961	1960	1959	1958	1957	1956
\$1,579,862	\$1,415,074	\$1,898,482	\$2,062,378	\$1,987,749	\$1,811,871	\$1,626,015	\$1,666,652	\$1,183,961
77,508	64,206	58,484	(135,067)	(61,771)	54,156	90,739	109,358	89,311
34,897	31,416	29,475	(65,630)	(34,715)	23,100	42,344	53,669	43,464
42,611	32,790	29,009	(69,437)	(27,056)	31,056	48,395	55,689	48,074
3.77	3.28	2.90	(6.95)	(2.71)	3.12	—	—	—
—	—	—	2,494	14,919	19,881	19,966	19,091	15,788
\$ 205,672	\$ 188,451	\$ 128,145	\$ 49,722	\$ 221,971	\$ 265,129	\$ 222,238	\$ 146,760	\$ 159,224
192,886	190,103	170,789	192,823	191,460	182,913	171,870	156,547	119,274
92,835	125,716	148,525	149,889	147,567	155,102	90,499	44,149	61,729
299,630	256,594	170,539	117,671	289,235	329,739	317,392	288,587	236,655
19.78	15.99	7.38	2.09	16.95	21.09	—	—	—
\$ 729,143	\$ 664,246	\$ 704,392	\$ 760,946	\$ 684,419	\$ 670,830	\$ 602,404	\$ 575,281	\$ 481,984
84,200	85,900	84,500	106,000	105,700	103,600	97,500	96,100	100,100
73,216	79,848	85,028	86,815	87,750	81,844	70,153	61,584	47,371
1,663,384	1,663,634	1,664,302	1,664,516	2,064,516	2,064,516	—	—	—
10,015,259	9,997,992	9,997,290	9,997,064	9,982,079	9,944,488	9,909,822	9,224,419	8,880,191

Consolidated Balance Sheet December 31, 1965 and 1964

Assets	1965	1964
Current Assets:		
Cash	\$ 14,553,533	\$ 33,849,501
Marketable securities, at cost	8,415,627	28,917,406
Accounts receivable— United States and Canadian Governments	22,562,514	12,092,289
Other trade receivables, less reserves	85,770,215	74,959,608
Unreimbursed expenditures and estimated profits on cost reimbursement and long-term contracts in process (Note 1)	136,700,014	136,408,996
Inventories, at the lower of cost or market, less advance and progress payments....	155,460,411	116,610,178
Prepaid expenses	5,920,741	4,303,200
Total current assets	<u>\$429,383,055</u>	<u>\$407,141,178</u>
Other Assets:		
Investments in and advances to unconsolidated subsidiaries (Note 5)	\$ 12,371,487	\$ 4,981,250
Receivables not currently due and other assets	18,511,400	18,047,301
	<u>\$ 30,882,887</u>	<u>\$ 23,028,551</u>
Property, Plant and Equipment (Note 6):		
Land and buildings, at cost	\$155,960,368	\$154,524,777
Machinery and equipment, at cost	386,159,006	350,501,808
	<u>\$542,119,374</u>	<u>\$505,026,585</u>
Less— Reserves for depreciation, etc.	331,959,343	312,140,466
	<u>\$210,160,031</u>	<u>\$192,886,119</u>
	<u>\$670,425,973</u>	<u>\$623,055,848</u>

The accompanying notes are an integral part of the above statement.

GENERAL DYNAMICS CORPORATION AND SUBSIDIARIES

Liabilities and Share Owners' Equity	1965	1964
Current Liabilities:		
Current installments on long-term debt (Note 2)	\$ 6,208,952	\$ 7,745,383
Accounts payable and accrued expenses	180,354,747	144,505,856
Accrued salaries and wages	34,680,757	32,483,581
United States and Canadian income taxes	18,889,842	12,118,569
Customers' deposits and advances in excess of costs	5,636,097	4,615,944
Total current liabilities	<u>\$245,770,395</u>	<u>\$201,469,333</u>
Long-Term Debt (Note 2)	<u>\$110,033,638</u>	<u>\$ 92,835,298</u>
Deferred Income Taxes (Note 7)	<u>\$ 14,822,622</u>	<u>\$ 14,465,413</u>
Minority Interests in Subsidiary Companies	<u>\$ 16,971,935</u>	<u>\$ 14,655,979</u>
Share Owners' Equity:		
Convertible preference stock, at liquidating value (Note 3)		
Authorized and outstanding — 787,268 shares at end of 1965	\$ 45,759,953	\$ 96,684,195
Common stock, par value \$1 per share (Note 4)—		
Authorized — 30,000,000 shares		
Outstanding — 10,152,968 shares at end of 1965	10,152,968	10,015,259
Capital Surplus (Note 3)	41,142,972	37,323,427
Earned Surplus (Notes 2, 3)	185,771,490	155,606,944
	<u>\$282,827,383</u>	<u>\$299,629,825</u>
	<u>\$670,425,973</u>	<u>\$623,055,848</u>

The accompanying notes are an integral part of the above statement.

Statement of Consolidated Income For the Years Ended December 31, 1965 and 1964

	1965	1964
Net Sales	\$1,472,785,201	\$1,579,862,316
Cost of Sales	1,387,136,051	1,500,017,322
Profit from operations	<u>\$ 85,649,150</u>	<u>\$ 79,844,994</u>
Other Income (Expense):		
Interest — net	\$ (1,856,610)	\$ (3,452,602)
Miscellaneous — net	1,946,389	1,115,713
	<u>\$ 89,779</u>	<u>\$ (2,336,889)</u>
Profit before Income Taxes	\$ 85,738,929	\$ 77,508,105
Provision for Income Taxes	36,470,000	34,897,000
Net Income	\$ 49,268,929	\$ 42,611,105
Less — Dividends on Preference Stock	3,768,858	4,833,512
Available for Common Share Owners	<u>\$ 45,500,071</u>	<u>\$ 37,777,593</u>

Statement of Consolidated Earned Surplus For the Year Ended December 31, 1965

Earned Surplus at beginning of year		\$ 155,606,944
Add: Net Income	\$ 49,268,929	
Equity in undistributed earnings of unconsolidated subsidiaries as of December 31, 1964 (Note 5)	3,138,944	52,407,873
		<u>\$ 208,014,817</u>
Deduct: Excess of redemption price over liquidating value of 875,866 shares of convertible preference stock (Note 3)	\$ 3,563,710	
Dividends — Common stock (\$1 per share)	10,077,247	
Convertible preference stock (1965 and 1964)	8,602,370	22,243,327
Earned Surplus at end of year		<u>\$ 185,771,490</u>

The accompanying notes are an integral part of the above statements.

Statement of Consolidated Source and Use of Working Funds For the Year Ended December 31, 1965

Source of Working Funds:

Net income	\$ 49,268,929
Provision for depreciation, amortization and depletion	30,711,981
Long-term debt	17,198,340
Proceeds from sale of common stock under option plans	3,942,855
	<u>\$101,122,105</u>

Use of Working Funds:

Redemption of convertible preference stock	\$ 54,473,421
Expenditures for property, plant and equipment	48,579,408
Payment of dividends	18,679,617
Other — net	1,448,844
	<u>\$123,181,290</u>

Decrease in Working Funds	<u>\$ 22,059,185</u>
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The decrease in working funds consists of the following:

Current assets—decrease (increase)	
Cash and marketable securities	\$ 39,797,747
Receivables and unreimbursed expenditures	(21,571,850)
Inventories	(38,850,233)
Current liabilities—increase (decrease)	
Accounts payable and accrued expenses	35,848,891
Other — net	6,834,630
	<u>\$ 22,059,185</u>

Statement of Consolidated Capital Surplus For the Year Ended December 31, 1965

Capital Surplus at beginning of year (Note 3)	\$ 37,323,427
Excess of proceeds over par value of common stock sold to employees under stock options	3,805,408
Excess of liquidating value of convertible preference stock over par value of common stock issued therefor	<u>14,137</u>
Capital Surplus at end of year	<u>\$ 41,142,972</u>

The accompanying notes are an integral part of the above statements.

1. Method of Profit Accrual:

Profits are recorded on all cost reimbursement type contracts and certain long-term contracts prior to completion thereof where, in the opinion of management, such profits can be reasonably estimated after taking into consideration the stage of completion and the estimated final costs and prices.

2. Long-Term Debt:

Long-term debt includes notes of \$107,000,000 payable to an insurance company with interest from 5% to 5½%. The terms of the agreements relating to such notes provide, among other things, for (a) payments of \$4,000,000 in 1966, which amount is included in current installments on long-term debt as of December 31, 1965, \$4,000,000 in 1967, \$6,000,000 annually in 1968 through 1977, \$23,500,000 in 1978, \$14,500,000 in 1979 and the balance of \$1,000,000 in 1980; (b) consolidated working capital, as defined in the agreements, of not less than \$150,000,000; and (c) restrictions on the amount available for cash dividends on the common stock of the Corporation to 70% of consolidated net income, as defined in the agreements, subsequent to December 31, 1963, less the sum of cash dividends paid or declared subsequent to that date. The amount of earned surplus free of such restrictions as of December 31, 1965, was \$45,035,147.

There are other long-term notes and mortgages aggregating \$7,033,638, after deducting current installments, due in varying amounts to 1973 with interest from 3% to 6%.

3. Convertible Preference Stock:

In April 1965, the Board of Directors authorized the restatement of the convertible preference stock at its liquidating value of \$58.125 per share by the transfer of \$55,099,595 from capital surplus to the convertible preference stock account. The financial statements reflect the restatement retroactively. The convertible preference stock was issued on December 31, 1959, upon the merger of Material Service Corporation with and into the Corporation on the basis of a pooling of interests.

On July 30, 1965, the Corporation redeemed 875,866 shares of convertible preference stock at \$62.43267 per share, including accrued dividends, or an aggregate of \$54,682,639. The excess of the redemption price over the liquidating value has been charged to earned surplus.

The Corporation has the right to redeem the remaining convertible preference stock in full or in part at a price in 1966 of \$61.9031 per share plus accrued dividends. The redemption price is reduced approximately \$.29 per share annually until 1972 when the price becomes \$60.1594 per share plus accrued dividends.

Holders of convertible preference stock are entitled to \$58.125 per share plus accrued unpaid dividends in the event of liquidation. Dividends on the convertible preference stock are cumulative from and after January 1, 1964, at the annual rate of \$2.90625 per share and must be paid or set apart for payment before any dividend on the common stock may be paid or set apart.

Under a sinking fund provision, 103,225 shares are to be called for redemption in each of the years 1967 through 1973, and the remaining 64,693 shares are to be called for redemption in 1974, all at the redemption price of \$58.125 per share plus accrued unpaid dividends. Annual sinking fund requirements may be reduced by shares converted into common stock prior thereto.

All of the outstanding shares of convertible preference stock are eligible for conversion into common stock at the rate of 1.057909 shares of common stock for each share of convertible preference stock. Such rate is subject to adjustment under certain conditions.

As provided in the Certificate of Incorporation, the holders of convertible preference stock of the Corporation are entitled to vote on all corporate matters, share for share, with the holders of the common stock, except that the holders of the convertible preference stock vote separately as a class (a) on matters affecting the preferences, rights and powers of the convertible preference stock, and (b) for the election of the Directors representing the convertible preference stock. The holders of the convertible preference stock are entitled to elect two-fifteenths of the total number of Directors so long as there are at least 688,172 or more shares of convertible preference stock outstanding. At present, there are three Directors representing the convertible preference stock who were elected in April 1965. At that time, the holders of the preference stock were entitled to elect three directors.

4. Common Stock:

The Qualified Stock Option Plan, approved by the share owners in 1964, authorizes the issuance of an aggregate of 475,000 shares of common stock upon exercise of options to be granted under the Plan. The option price shall not be less than 100% of the fair market value of the common stock at the date the option is granted, and options granted shall have a term of not more than five years from date of grant. Options become exercisable on such terms and conditions as the Stock Option Committee, appointed by the Board of Directors, shall, in its discretion, prescribe.

Options granted in 1964 and 1965 become exercisable in cumulative installments of 25% in each of the four years beginning one year from date of grant. At January 1, 1965, qualified stock options were outstanding with respect to 89,700 shares. During the year, options for 154,300 shares were granted for amounts aggregating \$6,230,509, options for 7,875 shares were cancelled and options for 3,230 shares were exercised. At December 31, 1965, options were outstanding with respect to 232,895 shares of common stock at varying prices for amounts aggregating \$8,651,070.

Under the Corporation's Restricted Stock Option Plan, approved by the share owners in 1951, the price to be paid for the shares covered by each option is 95% of the fair market value thereof on the date the option was granted. Options under this Plan were granted for a seven-year period and are exercisable in installments from two to five years from date of grant. At January 1, 1965, restricted stock options were outstanding with respect to 386,870 shares. During the year, options for 15,700 shares were cancelled and options for 134,217 shares were exercised. At December 31, 1965, options were outstanding with respect to 236,953 shares of common stock at varying prices for amounts aggregating \$7,423,613. No additional options may be granted under this Plan, and the final option expires in December 1970.

Of the common stock authorized but unissued, 832,858 shares are reserved for conversion of convertible preference stock and an aggregate of 708,723 shares are reserved for options outstanding or issuable under the Corporation's stock option plans.

5. Unconsolidated Subsidiaries:

As of January 1, 1965, the Corporation recorded its equity in the undistributed earnings of unconsolidated subsidiaries by a credit

to earned surplus of \$3,138,944 and adopted the practice of including in consolidated income its equity in current earnings of such subsidiaries through increases in the related investment accounts.

Stromberg-Carlson Credit Corp., one of the unconsolidated subsidiaries, purchases from the Corporation or a consolidated subsidiary (a) notes issued by independent telephone companies in connection with the sale of telephone equipment, and (b) notes and other receivables resulting from aircraft sales and equipment leases. Following is a summary of the balance sheet of the Credit Corp. as of December 31, 1965:

Notes receivable from independent telephone companies	\$44,691,525
Notes and receivables on aircraft sales and equipment leases	14,492,561
Cash and other assets	1,697,293
	<u>\$60,881,379</u>
Notes payable	\$44,910,000
Bank loans	12,000,000
Other liabilities	1,636,574
Share owner's equity	2,334,805
	<u>\$60,881,379</u>

The Corporation or a consolidated subsidiary has guaranteed payment of the notes payable and bank loans, and in connection with such guarantee has agreed to repurchase, in the event of default, notes and receivables on aircraft sales and equipment leases.

A consolidated subsidiary has discounted an additional \$24,146,221 of notes of independent telephone companies representing interim financing and has agreed to provide long-term financing of such notes through the Credit Corp. In this connection, the subsidiary has guaranteed payment of the discounted notes, in the event of default, up to 20% of the amount discounted.

6. Properties:

Property, plant and equipment at December 31, 1965, includes land of \$28,675,067. The provisions for depreciation, amortization and depletion charged to cost aggregated \$30,711,981 in 1965 and \$32,162,020 in 1964.

The Corporation leases from the United States Government substantial portions of plant facilities used in the operation of certain divisions.

7. Income Taxes:

Deferred income taxes are applicable primarily to accelerated depreciation deducted for tax purposes but not for financial reporting. Such deferred taxes will offset amounts payable in subsequent years when depreciation provisions included in financial statements exceed those allowable for income tax purposes. For comparative purposes, reclassifications have been made in the 1964 financial statements.

Investment tax credits applicable to 1965 and 1964 property additions are reflected in the Statement of Consolidated Income as a reduction of the respective provisions for income taxes. Investment tax credits for 1962 and 1963 are being reflected in consolidated income over the useful lives of the applicable assets.

United States income tax returns of the Corporation are subject to review by the Internal Revenue Service for all years subsequent to 1956.

8. Employees' Retirement Plans:

The annual costs of retirement plans are determined by actuarial studies. The cost of prior service benefits is being amortized over a period of years.

9. Contingent Liabilities:

A substantial portion of sales for 1961 through 1965 is subject to review by the United States Renegotiation Board. Management believes that the Corporation will not be required to make refunds under the Renegotiation Act of 1951, and consequently no provision has been made therefor.

In addition, there were other contingent liabilities with respect to guarantees, law suits and other matters arising in the ordinary course of business. In the opinion of management, reasonable reserves have been provided for contingent liabilities.

Auditors' Opinion

To the Share Owners and the Board of Directors of
General Dynamics Corporation:

We have examined the consolidated balance sheet of General Dynamics Corporation (a Delaware corporation) and subsidiaries as of December 31, 1965, and the related statements of consolidated income, surplus and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm receivables from the United States and Canadian Governments but we have satisfied ourselves as to such accounts by other auditing procedures. We had made a similar examination for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, surplus and funds present fairly the financial position of General Dynamics Corporation and subsidiaries as of December 31, 1965, and the results of their operations and the source and disposition of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N.Y.,
January 27, 1966.

ARTHUR ANDERSEN & CO.

Officers

President

Roger Lewis

Vice Presidents

Lester Crown

Frank W. Davis

Frederic de Hoffmann

John A. Dundas

Max Golden

Roger I. Harris

Edward H. Heinemann

Algie A. Hendrix

Carl G. Holschuh

Charles F. Horne

Patrick H. Hoy

J. William Jones, Jr.

James T. MacDonald

J. Geoffrey Notman

Frank Nugent

John A. Sargent

Patrick J. Sullivan

Secretary

John P. Maguire

Treasurer

Harold K. Pedersen

Comptroller

William T. Lake

Board of Directors

Roger Lewis,* *Chairman*

Hugo A. Anderson

William C. Bolenius

H. S. M. Burns*

Sylvan C. Coleman

Henry Crown†

B. Emmet Finucane

I. M. Laddon

Donald N. McDonnell‡

J. Roscoe Miller

Maurice T. Moore*

David Packard

John A. Sargent

†Chairman of Executive Committee

‡Vice Chairman of Executive Committee

*Executive Committee

*Directors of General Dynamics Corporation (reading clockwise from top left):
H.S.M. Burns, Hugo A. Anderson, Sylvan C. Coleman, Donald N. McDonnell, Maurice T. Moore,
Roger Lewis, Henry Crown, John A. Sargent, I. M. Laddon, B. Emmet Finucane, J. Roscoe Miller,
William C. Bolenius. Not in picture, David Packard.*



GENERAL DYNAMICS CORPORATION

One Rockefeller Plaza, New York, New York 10020

OPERATING UNITS

CANADAIR LIMITED · *Montreal, Quebec, Canada*
CONVAIR DIVISION · *San Diego, California*
ELECTRIC BOAT DIVISION · *Groton, Connecticut*
ELECTRO DYNAMIC DIVISION · *Avenel, New Jersey*
ELECTRONICS DIVISION · *Rochester, New York*
FORT WORTH DIVISION · *Fort Worth, Texas*
GENERAL ATOMIC DIVISION · *San Diego, California*
LIQUID CARBONIC DIVISION · *Chicago, Illinois*
MATERIAL SERVICE DIVISION · *Chicago, Illinois*
POMONA DIVISION · *Pomona, California*
STROMBERG-CARLSON CORPORATION · *Rochester, New York*

TRANSFER AGENTS

COMMON STOCK

Bankers Trust Company · *New York, New York*
Bank of America National Trust and Savings Association
San Francisco, California
The First National Bank of Jersey City · *Jersey City, New Jersey*
Montreal Trust Company · *Montreal, Quebec,*
and Toronto, Ontario, Canada
The First National Bank of Chicago · *Chicago, Illinois*

CONVERTIBLE PREFERENCE STOCK

The First National Bank of Chicago · *Chicago, Illinois*

REGISTRARS

COMMON STOCK

The Chase Manhattan Bank · *New York, New York*
Wells Fargo Bank · *San Francisco, California*
The Royal Trust Company · *Montreal, Quebec,*
and Toronto, Ontario, Canada
American National Bank and Trust Company of Chicago
Chicago, Illinois

CONVERTIBLE PREFERENCE STOCK

American National Bank and Trust Company of Chicago
Chicago, Illinois

STOCK EXCHANGE LISTINGS

Common stock listed on:

New York Stock Exchange
Midwest Stock Exchange
Pacific Coast Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

AUDITORS

Arthur Andersen & Co. · *New York, New York*

GENERAL DYNAMICS

